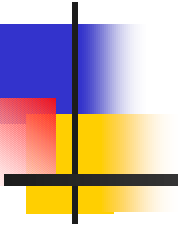


Meeting the Challenges of TCB in Developing Countries



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Meeting the Challenges of TCB in Developing Countries

- Introduction.
- The Issue of Market Access : Agricultural Products.
- Food Safety Issues and SPS Measures.
- Empirical Evidence : South Asian experience.
- Technical Assistance and Capacity Building issues –Marakesh Decision.
- Regulating Imports of Biotech products.

The Issue of Market Access : Agricultural Products

➤ Market Entry Conditions

- Endogenous
- Exogenous by the legal and administrative conditions imposed by the importing countries under internationally agreed trade rules. These rules are embodied in AOA, SPS and TBT.

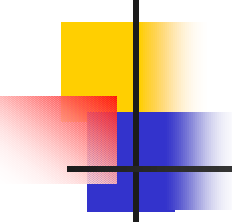
➤ Higher Tariffs and Tariff Escalation

- for agricultural products, tariff are higher than those of industrial products.

| Product | EU | | Japan | |
|---------------------|-------|--------|-------|--------|
| Raw material | 1.69% | 20.02% | 0.11% | 8% |
| Coffee, tea , spice | 7.07% | 17.92% | 8.12% | 19.15% |

Source: UNCTAD TD/Bcom.15(2002)

The issue of Market Access : Contd....

- 
- Meeting the SPS-related regulations is one of the principal concerns of agro-food exporters.
 - This is complicated by the multiplicity of these requirements across different markets. For example, maximum permissible level of aflatoxin greatly vary in different developed country markets.
 - Considerable costs must be borne in order to meet the health and environmental requirements, and to apply the Hazard Analysis Critical Control Point (HACCP) principles.
 - Create difficulties in the short term, but in the long run export competitiveness is enhanced.



Food Safety Issues and SPS Measures

- Recognize that SPS measures are necessary to address the legitimate food safety/environmental concern of consumers.
- At the same time, it is widely acknowledged that these measures are misused for protectionism purposes.
 - **SPS related Disputes:** Of the 261 trade disputes which reached panel stage of WTO-DSB, 21 cases are reported to have violations of provisions of SPS Agreement.
 - **Eg. Empirical work** :eg. USDA 1996 survey results

Non-Tariff Barriers on Agricultural Products in Developed Countries, 1994



| Country | Total No.of non-tariff measures |
|--------------------|---------------------------------|
| Canada | 1,464 |
| Sweden | 709 |
| Australia | 418 |
| France | 394 |
| Norway | 393 |
| New Zealand | 323 |
| Finland | 302 |
| USA | 300 |
| Austria | 254 |
| Italy | 109 |
| Belgium/Luxembourg | 93 |
| Greece | 55 |
| Denmark | 32 |
| Germany | 24 |
| United Kingdom | 14 |
| Ireland | 3 |

Source : (Henson: et al, 2000).



Empirical Evidence : South Asian Experience

➤ Research gap

- A limited research work has been done to explain the extent to which SPS regulatory requirements in developed market economies have affected agricultural exports from South Asian economies.

(1) Trade and economic affects of maximum permissible aflatoxin levels on Sri Lanka's spice Exports:

- estimated average volume loss about 5,500 MT during 1999/2000.
- foreign exchange loss US\$ 2.9 million per year.
- employment loss 2,400.
- Cost of compliance US\$ 1.954 (Herath, 2001)



Empirical Evidence (contd.....)

(2) EU ban on exports of shrimps from Bangladesh.

- Economic loss US\$ 65.1. Million. (Havett,2001)

(3) Incidents of Contravention, Detention and Rejection of food consignments (FDA Sources) from South Asia.

- 50% (1997) of rejections are attributed to :
 - (a) lack of basic food hygiene.
 - (b) failure to comply with labeling requirement
- In 1998 the estimated economic loss or costs was US\$ 750 million.



Empirical Evidence ... (Contd...)

(4) Trade restrictive SPS regulatory measures affecting Sri Lanka's meat exports:

- the procedure of processing of import Sanitary permit - cumbersome.
- quarantine parameters of risk assessment are not specified/defined as well as not transparent - cause unnecessary delays.
- National Food regulatory agencies in importing countries maintain "risk lists of exporting countries" depend upon regulatory and compliance with mandatory labeling. This creates physiological effects.



Technical Assistance and Capacity Building issues

- The above evidence suggests that economic losses, is partly due to difficulties in meeting higher level of SPS protection sought by developed countries.

- **Need to develop Good Practices**
 - Good Agricultural Practices (GAP)
 - Good Veterinary Practices (GVP)
 - Good Manufacturing Practices (GMP) and
 - Good Hygienic (GHP) are required:
 - (a) to ensure the food safety and
 - (b) to promote trade without having any risk to rejection of consignments



Technical Assistance...

Specific Needs

- Article 9 of SPS Agreement recognizes and stipulates the need for TA for LDCs and DCs.
 - Human Resource Development (HRD) (technical, scientist)
 - Risk Assessment
 - Infrastructure: to upgrade existing facilities/laboratories for quality testing, inspection, certification and accreditation.
 - Updating existing legislation to comply with SPS/TBT/requirements.



For Spice sector in Sri Lanka

- ❖ **Technological requirements:** at farm gate level use very traditional methods. High moisture retention, contamination of microbiological contamination.... are very common.

Problems:

- ❖ Unaffordable cost of machinery: drying floors, processing sheds
Threshers, hand pulpers.
- ❖ Inadequate scale of production for mechanization : many producers operate **at a small scale.**
- ❖ The use of machinery for processing of spices is a new intervention and it will take time for growers to adopt.



For Spice sector

- ❖ Cost of technology accession and transfer.
 - ❖ Research is done on a limited scale.
 - ❖ Allocation of funds for Research at the Department of Export Agriculture is only US\$ 24,200.
 - ❖ This is grossly inadequate.
- ❖ Inadequate financial resources for education and awareness program
 - ❖ Education and awareness programme essential for capacity building exercise.
 - ❖ Training of stakeholders including traders.
 - ❖ A total of US\$ 2 million is required. What is available is only 3% of this requirement.



Participation in Standard Setting Process

- The low incidence of participation by developing countries in the standard setting process in the Codex Commission (Specially Horizontal Codex committees)
- There is also a need to establish a regional data base on food borne diseases, the information of which could be used in the risk assessment and standard setting process.
- Coordination of national Codex committees at regional level with a view to effectively participating in standards setting process.



Technical Assistance and Implementation of Marrakesh decision

- Sri Lanka is a net food importing country.
- Technical and financial assistance to increase agriculture productivity and infrastructure para 3(iii).
- No concrete action has been taken.
- Increase bilateral assistance through Green Box measures.



Biotechnology and GMOs

- One important issue of interest and concern for Sri Lanka. (.. seeds to food products containing GMOs).
- Sri Lanka adopt a comprehensive approach on biotech products recognising both positive elements and consumer concerns on health.
 - What may be the implications of those products for the environment and public health ?
 - Could labelling solve some of the concerns derived from the commercialization of these products ?
 - What is the potential for agriculture in Sri Lanka derived from the use of biotechnology?
 - Could agriculture productivity be improved by using this technology?
 - What impact may this technology have on the trade potential of the country ?



SUMMARY

- Good practices in agri, veterinary & hygiene.
- Modernization of food safety systems.
- Strengthening regulatory technological and institutional framework.
- At institutional level, capacity building of human resources.
- At regulatory level need to harmonize legislation with international standards.
- Technological level establishing adequate physical infrastructure.
- Greater understanding on GM related issues.
- Marrakesh decision – increase bilateral assistance.